base, second base, utility player, etc.). One would expect to see at least 9 different independent variables in the regression to separately evaluate cross-sectional data across all teams *for each player position*. Using a single independent variable that represented an average of player batting averages across all field positions, by contrast, sheds no light whatsoever on the cross-sectional contributions of players by position to team victories.

A further problem with Verizon's regression analysis is its use of linear function forms. As evidenced by its name, a linear regression implicitly assumes that the dependent variable (in this case, the P/E ratio) is a straight-line function of the independent variables (such as the growth rates). This means that changes in the **independent variable are assumed to cause the dependent** variable to change at a constant rate.

Dr. Vander Weide's unrealistic one-stage DCF model does in fact simplify algebraically into a linear formula: $K_e = D_1/P_0 + g$. A linear formula lends itself better to tests using linear regressions. But more realistic growth rate assumptions (such as those proposed by reputable scholars in the economic literature that I have cited, or those used in DCF valuations of companies by securities analysts), assume changing growth rates over time. Pictured graphically, these growth expectations describe a non-linear curve, rising during the high-growth period, flattening and/or declining over a transitional period, and then flattening into a straight line during the stable growth period. This is not the straight-line relationship that a linear regression assumes and tests. Unlike the single-stage DCF model, the more realistic models which use differing expectations of growth